

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

BRIGHTON DISTRICT LIBRARY

Brighton, Michigan

FINANCIAL REPORT

WITH SUPPLEMENTAL INFORMATION

PREPARED IN ACCORDANCE WITH GASB 34

November 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

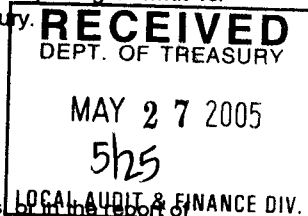
Local Government Type DISTRICT LIBRARY <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name BRIGHTON DISTRICT LIBRARY	County LIVINGSTON
Audit Date 11/30/04	Opinion Date 4/18/05	Date Accountant Report Submitted to State: May 25, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, comments and recommendations.

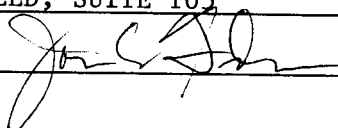


You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BUSS & COMPANY, P.C.			
Street Address 42550 GARFIELD, SUITE 105	City CLINTON TWP.	State MI	ZIP 48038
Accountant Signature  JOHN E. GIDEON		Date 5/2/05	

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
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INDEPENDENT AUDITOR'S REPORT

April 18, 2005

To the Board of Trustees
Brighton District Library
Brighton, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Brighton District Library as of and for the year ended November 30, 2004, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brighton District Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Brighton District Library as of November 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note VI, the Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003. In addition, the Library also implemented Interpretation No. 6 of GASB, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

Board of Trustees
Brighton District Library
April 18, 2005
Page 2

The management's discussion and analysis and budgetary comparison schedule on pages 3 through 4 and pages 20 through 21, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Brighton District Library's basic financial statements. The other supplemental information is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS
November 30, 2004

Using this Annual Report

This annual report consists of four parts - *Management's discussion and analysis* (this section), the *basic financial statements*, *required supplemental information*, and *other supplemental information*. The basic financial statements include information that presents two different views of the Library:

- The *government-wide financial statements* provide both *long-term* and *short-term* information about the Library's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The fund financial statements include information on the Library under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Library's sources and uses of funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplemental information and other supplemental information* that further explains and supports the information in the financial statements.

Condensed Financial Information

The table below provides key financial information in a condensed format for the current year. Since this is the first year the Library has prepared financial statements following GASB Statement 34, comparisons to the prior year are not available.

Current assets	\$ 808,452
Capital assets	<u>4,287,483</u>
Total Assets	<u>\$5,095,935</u>
Long-term debt	\$3,860,000
Other liabilities	<u>89,956</u>
Total Liabilities	<u>\$3,949,956</u>
Net Assets:	
Invested in capital assets, net of related debt and accrued interest	\$ 398,901
Restricted for debt service	69,758
Restricted for capital improvements	240,543
Unrestricted	<u>436,777</u>
Total Net Assets	<u>\$1,145,979</u>
Revenue:	
Property taxes	\$1,561,515
Other	<u>262,998</u>
Total Revenue	<u>\$1,824,513</u>
Expenses - Library services	<u>1,659,287</u>
Change in Net Assets	<u>\$ 165,226</u>

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED
November 30, 2004

The Library as a Whole

- The Library's net assets increased by \$165,226 this year. This reflects that taxpayers, current users, and other supporters of the Library have paid the full cost of operating the Library, even after depreciation and recognition of long-term obligations.
- The Library's primary source of revenue is from property taxes, which represents 86% of total revenue.
- Total expenses were 91% of total revenue for the year ended November 30, 2004. Salaries amount to approximately 48% of total expenditures. Benefits amount to 7% of total expenditures.

The Library's Fund

The Library uses funds to help it control and manage money for particular purposes. Looking at funds helps you consider whether the Library is being accountable for the resources provided and insight into the Library's financial health. An analysis of the Library's fund is included on pages 7 and 8.

The fund balance of the Library decreased during the current year by \$63,516. The decrease reflects the additional capital outlay incurred by the Library.

Library Budgetary Highlights

Over the course of the year, the Library Board amended the budget to take into account events that occurred during the year. There were no significant amendments.

Capital Assets

At the end of the fiscal year, the Library had \$4,287,483 invested in net capital assets, including building improvements, furniture and fixtures, equipment, and books and materials. The Library added \$224,070 of capital assets consisting of new books, various audio/visual materials, computer equipment and office equipment, furnishings and building improvements.

Debt

At the end of the year, the Library had \$3,860,000 in general obligation bonds outstanding versus \$4,105,000 at November 30, 2003. This represents a decrease of 6%.

Economic Factors and Considerations for Next Year

The Library's tax base continues to increase with the growth of the City and Townships. We, however, need to continue to watch our budget very closely. Expenditures that will be especially important in the coming year include health insurance benefits which have shown significant increases in the last few years and employee compensation, because it is such a significant portion of the Library's operating expenses.

Contacting the Library's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Library Director at 100 Library Drive, Brighton, Michigan 48116.

BRIGHTON DISTRICT LIBRARY
BRIGHTON, Michigan
STATEMENT OF NET ASSETS
November 30, 2004

ASSETS

Cash and cash equivalents		\$ 808,291
Due from others		161
Capital assets		<u>4,287,483</u>

Total Assets

\$5,095,935

LIABILITIES

Accounts payable and accrued liabilities		
Bonds payable - Due within one year		\$ 88,926
- Long-term	\$ 265,000	
Deferred revenue	<u>3,595,000</u>	<u>3,860,000</u>
		<u>1,030</u>

Total Liabilities

\$3,949,956

NET ASSETS

Invested in capital assets, net of related debt and accrued interest		
Restricted for debt service		\$ 398,901
Restricted for capital improvements		69,758
Unrestricted		<u>240,543</u>
		<u>436,777</u>

Total Net Assets

\$1,145,979

Total Liabilities and Net Assets

\$5,095,935

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
STATEMENT OF ACTIVITIES
Year Ended November 30, 2004

<u>FUNCTION/PROGRAM:</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS</u>	
Governmental Activities:				
Library services/operations	<u>\$1,659,287</u>	<u>\$ 47,443</u>	<u>\$ 2,150</u>	<u>(\$1,609,694)</u>
<u>GENERAL REVENUES:</u>				
Property taxes				\$1,561,515
State revenues and penal fines				168,596
Interest				15,453
Gifts and memorials				28,948
Other miscellaneous				408
Total General Revenues				<u>\$1,774,920</u>
CHANGE IN NET ASSETS				\$ 165,226
<u>NET ASSETS:</u>				
Beginning of year				<u>980,753</u>
End of year				<u>\$1,145,979</u>

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY
 Brighton, Michigan
 COMPARATIVE BALANCE SHEETS
 GOVERNMENTAL FUNDS
 November 30, 2004 and 2003

	GENERAL FUND	DEBT RETIREMENT FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	
				2004	2003
<u>ASSETS</u>					
Cash and cash equivalents	\$497,990	\$ 69,758	\$240,543	\$808,291	\$865,075
Due from others	161	-	-	161	2,502
Total Assets	<u>\$498,151</u>	<u>\$ 69,758</u>	<u>\$240,543</u>	<u>\$808,452</u>	<u>\$867,577</u>
<u>LIABILITIES</u>					
Accounts payable	\$ 13,663	\$ -	\$ -	\$ 13,663	\$ 13,340
Accrued liabilities	46,681	-	-	46,681	41,643
Deferred revenue	1,030	-	-	1,030	2,000
Total Liabilities	<u>\$ 61,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,374</u>	<u>\$ 56,983</u>
<u>FUND BALANCES</u>					
Fund Balances:					
Unreserved:					
Designated for:					
Debt service	\$ -	\$ 69,758	\$ -	\$ 69,758	\$ 66,838
Capital improvements	-	-	240,543	240,543	318,469
Undesignated	436,777	-	-	436,777	425,287
Total Fund Balances	<u>\$436,777</u>	<u>\$ 69,758</u>	<u>\$240,543</u>	<u>\$747,078</u>	<u>\$810,594</u>
Total Liabilities and Fund Balances	<u>\$498,151</u>	<u>\$ 69,758</u>	<u>\$240,543</u>	<u>\$808,452</u>	<u>\$867,577</u>

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
RECONCILIATION OF FUND BALANCE TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
For The Year Ended November 30, 2004

TOTAL FUND BALANCE - MODIFIED ACCRUAL BASIS

\$ 747,078

Amounts reported for governmental activities in the statement of
net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the governmental funds:

The cost of capital assets is
Accumulated depreciation

\$6,215,778
(1,928,295)

4,287,483

Long-term liabilities are not due and payable in the current period
and are not reported in the governmental funds:

Bonds payable

(3,860,000)

Accrued interest payable on bonds is not included as a liability in
the governmental funds

(28,582)

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES

\$1,145,979

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Years Ended November 30, 2004 and 2003

	<u>GENERAL</u>	<u>DEBT RETIREMENT</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	
				<u>2004</u>	<u>2003</u>
<u>REVENUES:</u>					
Property taxes	\$1,132,879	\$428,636	\$ -	\$1,561,515	\$1,495,562
Penal fines	135,825	-	-	135,825	154,751
State aid	28,170	-	-	28,170	26,781
Fines and fees	47,443	-	-	47,443	48,195
Interest	11,247	1,860	2,346	15,453	20,416
Revenue sharing	4,601	-	-	4,601	4,601
Friends of the Library	28,948	-	-	28,948	25,343
Grants	2,150	-	-	2,150	5,132
Miscellaneous	408	-	-	408	4,034
Total Revenues	<u>\$1,391,671</u>	<u>\$430,496</u>	<u>\$ 2,346</u>	<u>\$1,824,513</u>	<u>\$1,784,815</u>
<u>EXPENDITURES:</u>					
Salaries and wages	\$ 797,259	\$ -	\$ -	\$ 797,259	\$ 738,140
Fringe benefits	61,264	-	-	61,264	53,409
Payroll taxes and other payroll costs	60,961	-	-	60,961	56,626
Staff training and development	6,821	-	-	6,821	8,894
Supplies	19,730	-	-	19,730	23,156
Technology	30,298	-	-	30,298	45,818
Copier supplies and equipment maintenance	13,053	-	-	13,053	13,369
Building expenses	31,713	-	-	31,713	13,143
Maintenance supplies	4,364	-	-	4,364	4,722
Contracted services	77,751	-	-	77,751	117,620
Accounting software and support	1,436	-	-	1,436	1,305
Communications	7,714	-	-	7,714	7,081
Transportation	2,212	-	-	2,212	2,565
Printing and publishing	175	-	-	175	176
Insurance	15,037	-	-	15,037	14,590
Utilities	56,991	-	-	56,991	54,371
Advertising and public relations	15,366	-	-	15,366	19,876
Friends of the Library	16,096	-	-	16,096	16,945
Miscellaneous	12,730	-	-	12,730	15,536
Program expenditures	2,886	-	-	2,886	3,442
Bank fees	373	-	-	373	455
Grant expenditures	2,153	-	-	2,153	500

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE, CONTINUED
GOVERNMENTAL FUNDS
For The Year Ended November 30, 2004

	<u>GENERAL</u>	<u>DEBT RETIREMENT</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>	
				<u>2004</u>	<u>2003</u>
<u>EXPENDITURES:</u> (Continued)					
Capital outlay	\$ 4,841	\$ -	\$ 80,272	\$ 85,113	\$ 46,622
Collection expenditures	138,957	-	-	138,957	157,148
Debt service:					
Principal and interest	-	427,275	-	427,275	418,840
Fees and other costs	-	301	-	301	800
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$1,380,181</u>	<u>\$427,576</u>	<u>\$ 80,272</u>	<u>\$1,888,029</u>	<u>\$1,835,149</u>
 EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	 \$ 11,490	 \$ 2,920	 (\$ 77,926)	 (\$ 63,516)	 (\$ 50,334)
 FUND BALANCE - DECEMBER 1	 <u>425,287</u>	 <u>66,838</u>	 <u>318,469</u>	 <u>810,594</u>	 <u>860,928</u>
 FUND BALANCE - NOVEMBER 30	 <u>\$ 436,777</u>	 <u>\$ 69,758</u>	 <u>\$240,543</u>	 <u>\$ 747,078</u>	 <u>\$ 810,594</u>

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For The Year Ended November 30, 2004

NET CHANGE IN FUND BALANCE - MODIFIED ACCRUAL BASIS

(\$ 63,516)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation expense.

Depreciation expense

(\$242,125)

Capital outlay

224,070

(18,055)

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities

245,000

Accrued interest on bonds is an expenditure in the statement of activities; it is not reported in the governmental funds until paid

1,797

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$165,226

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
COMPARATIVE STATEMENTS OF NET ASSETS
FIDUCIARY FUNDS
November 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
ASSETS	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES	<u>\$ -</u>	<u>\$ -</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
NOTES TO FINANCIAL STATEMENTS
November 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Brighton District Library (the "Library") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

A. GOVERNMENTAL REPORTING ENTITY

The Brighton District Library operates under the authority of P.A. 24 of the Michigan P.A. of 1989 as amended. The Library's major support is from property taxes levied in the City of Brighton and the Townships of Brighton, Genoa and Green Oaks. The Library is governed by a seven member appointed Board of Trustees. There are no component units as defined by generally accepted accounting principles that are required to be presented in the financial statements.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in four parts - invested in capital assets, net of related debt and accrued interest; restricted for debt service; restricted for capital improvements; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Fund Financial Statements

Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
November 30, 2004

Fund Financial Statements (Continued)

The Library reports the following funds:

Governmental:

General Fund - The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library, except those required to be accounted for in another fund.

Debt Retirement Fund - The Debt Retirement Fund is used to account for funds used to repay principal and interest on outstanding debt.

Capital Projects Fund - The Capital Projects Fund is used to account for monies used for the acquisition and improvement of capital assets including equipment and technology.

Fiduciary:

Trust and Agency Fund - The Trust and Agency Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, organizations or other funds. They are custodial in nature and do not involve the measurement of results of operations. All assets of the fund were distributed as of November 30, 2004 and 2003.

C. ASSETS, LIABILITIES AND FUND EQUITY

Cash and Investments

The Library is authorized by state statutes to invest surplus funds in U.S. bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investments. During the year ended November 30, 2004, the Library invested in certificates of deposits.

Receivables and Payables

Property taxes are levied on each December 1st on the taxable value of property as of the preceding December 31. Taxes are considered delinquent if not paid by February 28 of the following year.

The 2004 taxable valuation of the Library totals approximately \$1.984 billion, on which ad valorem taxes levied consisted of .6850 mills for Library operations and .2592 mills for Library Refunding Bonds, raising \$1,132,879 for Library operating purposes and \$428,636 for debt retirement. These amounts are recognized in the financial statements as property tax revenue.

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
November 30, 2004

C. ASSETS, LIABILITIES AND FUND EQUITY (Continued)

Capital Assets

Capital assets are defined by the Library as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Due to the significance of the Library's annual acquisition of Library books and materials and the shelf life on most materials extended beyond two years, annual acquisitions of books and materials are treated as capitalized assets in order to spread their cost over their estimated useful life. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	50 years - 15% salvage value
Furniture and equipment	10-20 years - 10% salvage value
Improvements	10-20 years
Library books and materials	3-10 years - 10% salvage value
Computer equipment	2-5 years

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represents tentative management plans that are subject to change.

D. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with generally accepted accounting principles is formally adopted for the General Fund. The budget can be amended by approval of the majority of the Board of Trustees. Amendments are presented to the Board at their regular meetings. All annual appropriations lapse at fiscal year end. State law does not require that a budget be adopted for the Debt Retirement Fund.

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
November 30, 2004

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year ended November 30, 2004, the Library incurred expenditures in certain budgeted line items which were in excess of the amounts appropriated as follows:

	<u>BUDGET</u> <u>APPROPRIATIONS</u>	<u>EXPENDITURES</u>	<u>BUDGET</u> <u>VARIANCE</u>
Maintenance supplies	\$ -	\$ 4,364	\$ 4,364
Contracted services	67,825	77,751	9,926
Accounting software and support	-	1,436	1,436
Transportation	-	2,212	2,212
Printing and publishing	-	175	175
Friends of the Library expenditures	15,938	16,096	158
Bank fees	-	373	373

III. DETAILED NOTES

A. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at cost plus accrued interest which approximates fair value.

The Library's cash and cash equivalents and investments are classified by Governmental Accounting Standards Board Statement Number 3 in the following categories:

Deposits (Checking accounts, savings accounts, certificates of deposit and money market accounts)

\$808,291

Investments in securities, mutual funds and similar vehicles

\$ -

Deposits

At November 30, 2004, the carrying value of the deposits was \$808,291 and the bank balance was \$817,467. Of the bank balance, \$458,292 was covered by federal depository insurance and \$359,175 was uninsured and uncollateralized.

Investments

The Library is authorized by State statutes to invest surplus funds in U.S. bonds and notes, certain commercial paper, U.S. Government repurchase agreements, bankers acceptances and mutual funds and investment pools that are composed of authorized investments. The Library has not invested in such items.

No investments were held at November 30, 2004 that are represented by specific identifiable investment securities which are required to be classified as to credit risk per GASB Statement No. 3.

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
November 30, 2004

B. CAPITAL ASSETS

Capital asset activity of the Library was as follows:

	<u>BALANCE</u> <u>DECEMBER 1, 2003</u>	<u>ADDITIONS</u>	<u>DISPOSALS AND</u> <u>ADJUSTMENTS</u>	<u>BALANCE</u> <u>NOVEMBER 30, 2004</u>
Assets not being depreciated:				
Land	\$ 540,000	\$ -	\$ -	\$ 540,000
Capital assets being depreciated:				
Buildings and improvements	\$3,343,152	\$ 80,272	\$ -	\$3,423,424
Furniture and equipment	653,062	4,841	-	657,903
Computer equipment	217,570	-	-	217,570
Library collection	<u>1,237,924</u>	<u>138,957</u>	-	<u>1,376,881</u>
Subtotal	<u>\$5,451,708</u>	<u>\$224,070</u>	<u>\$ -</u>	<u>\$5,675,778</u>
Accumulated depreciation:				
Buildings and improvements	\$ 427,122	\$ 57,704	\$ -	\$ 484,826
Furniture and equipment	260,439	39,328	-	299,767
Computer equipment	190,210	15,712	-	205,922
Library collection	<u>808,399</u>	<u>129,381</u>	-	<u>937,780</u>
Subtotal	<u>\$1,686,170</u>	<u>\$242,125</u>	<u>\$ -</u>	<u>\$1,928,295</u>
Net capital assets being depreciated	<u>\$3,765,538</u>	<u>(\$ 18,055)</u>	<u>\$ -</u>	<u>\$3,747,483</u>
Net Capital Assets	<u>\$4,305,538</u>	<u>(\$ 18,055)</u>	<u>\$ -</u>	<u>\$4,287,483</u>

C. LONG-TERM LIABILITIES

The following is a summary of long-term liabilities for the year ended November 30, 2004:

	<u>BALANCE</u> <u>12/1/03</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>11/30/04</u>	<u>DUE IN</u> <u>ONE YEAR</u>
Bonds payable	<u>\$4,105,000</u>	<u>\$ -</u>	<u>\$245,000</u>	<u>\$3,860,000</u>	<u>\$265,000</u>

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
November 30, 2004

C. LONG-TERM LIABILITIES (Continued)

Bonds Payable

Bonds payable consists of the 1998 Refunding Bonds totalling \$3,860,000, due in annual installments ranging from \$265,000 to \$425,000. The interest rates on the bonds range from 4.4 to 4.45%. Interest is payable semi-annually on April 1 and October 1.

The annual debt service requirements, including principal and interest, are as follows:

<u>YEAR ENDED</u> <u>NOVEMBER 30</u>	<u>AMOUNT</u>
2005	
2006	\$ 436,494
2007	444,836
2008	452,294
Thereafter	458,722
	<u>3,176,840</u>
	<u>\$4,969,186</u>

IV. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workers' compensation benefits provided to employees. The Library has purchased commercial insurance to cover potential claims.

V. DEFERRED COMPENSATION PLAN

The Library has adopted a deferred compensation plan created in accordance with Internal Revenue Code, Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or financial hardship.

The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries and may not be diverted to any other use. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Library's financial statements.

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
November 30, 2004

VI. ACCOUNTING CHANGES

Effective November 1, 2003, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Library's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Library's overall financial position and results of operations has been included.

Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Library's activities have been provided.

Capital assets in the statement of net assets includes assets previously reported in the General Fixed Assets Account Group. Capital assets at November 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted to reflect the historical cost of the Library's capital assets in accordance with the capitalization policy adopted by the Board. In addition, the statement of net assets includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.

VII. PRIOR-PERIOD COMPARATIVE FINANCIAL INFORMATION

The fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended November 30, 2003, from which the summarized information was derived.

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

REQUIRED SUPPLEMENTAL INFORMATION

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For The Year Ended November 30, 2004

Schedule No. 1
 Page 1 of 2

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>FAVORABLE</u>
				<u>(UNFAVORABLE)</u>
<u>REVENUES:</u>				
Property taxes	\$1,128,513	\$1,128,513	\$1,132,879	\$ 4,366
Penal fines	155,044	155,044	135,825	(19,219)
State aid	26,780	26,780	28,170	1,390
Fines and fees	50,100	50,100	47,443	(2,657)
Interest	14,615	14,615	11,247	(3,368)
Revenue sharing	4,462	4,462	4,601	139
Friends of the Library	15,000	20,938	28,948	8,010
Grants	-	2,150	2,150	-
Miscellaneous	5,600	5,600	408	(5,192)
Total Revenues	\$1,400,114	\$1,408,202	\$1,391,671	(\$ 16,531)
<u>EXPENDITURES:</u>				
Salaries and wages	\$ 799,038	\$ 799,038	\$ 797,259	\$ 1,779
Fringe benefits	65,256	65,256	61,264	3,992
Payroll taxes and other payroll costs	60,973	60,973	60,961	12
Staff training and development	10,400	10,400	6,821	3,579
Supplies	24,731	22,728	19,730	2,998
Technology	30,500	30,500	30,298	202
Copier supplies and equipment maintenance	14,600	14,600	13,053	1,547
Building expenses	37,700	48,700	31,713	16,987
Maintenance supplies	-	-	4,364	(4,364)
Contracted services	73,825	67,825	77,751	(9,926)
Accounting software and support	-	-	1,436	(1,436)
Communications	8,000	8,000	7,714	286
Transportation	-	-	2,212	(2,212)
Printing and publishing	-	-	175	(175)
Insurance	15,940	15,940	15,037	903
Utilities	60,000	57,000	56,991	9
Advertising and public relations	16,900	16,900	15,366	1,534
Friends of the Library expenditures	10,000	15,938	16,096	(158)
Miscellaneous	19,751	19,751	12,730	7,021
Program expenditures	3,100	3,100	2,886	214

(Continued)

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
BUDGETARY COMPARISON SCHEDULE, CONTINUED
GENERAL FUND
For The Year Ended November 30, 2004

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<u>EXPENDITURES:</u> (Continued)				
Bank fees	\$ -	\$ -	\$ 373	(\$ 373)
Grant expenditures	-	2,153	2,153	-
Capital outlay	5,000	5,000	4,841	159
Collection expenditures	<u>144,400</u>	<u>144,400</u>	<u>138,957</u>	<u>5,443</u>
Total Expenditures	<u>\$1,400,114</u>	<u>\$1,408,202</u>	<u>\$1,380,181</u>	<u>\$ 28,021</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,490</u>	<u>\$ 11,490</u>

See accompanying notes to financial statements.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

OTHER SUPPLEMENTAL INFORMATION

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
SCHEDULE OF BONDS PAYABLE
November 30, 2004

1998 REFUNDING BONDS DATED AUGUST 1, 1998
(Interest Due Semi-Annually, April 1 and October 1)

<u>INTEREST</u> <u>RATE</u>	<u>MATURITY</u> <u>DATE</u> <u>OCTOBER 1</u>	<u>AMOUNT</u> <u>MATURING</u> <u>ANNUALLY</u>
4.4%	2005	\$ 265,000
4.4%	2006	285,000
4.45%	2007	305,000
4.45%	2008	325,000
4.45%	2009	335,000
4.45%	2010	350,000
4.45%	2011	365,000
4.45%	2012	385,000
4.45%	2013	400,000
4.45%	2014	420,000
4.45%	2015	<u>425,000</u>

Principal Outstanding at November 30, 2004

\$3,860,000

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
SCHEDULE OF BOND INDEBTEDNESS
(PRINCIPAL AND INTEREST)
November 30, 2004

1998 REFUNDING BONDS DATED AUGUST 1, 1998
(Interest Due Semi-Annually April 1 and October 1)

<u>YEAR ENDED</u> <u>NOVEMBER 30</u>	<u>INTEREST</u> <u>DUE</u> <u>APRIL 1</u>	<u>INTEREST</u> <u>DUE</u> <u>OCTOBER 1</u>	<u>PRINCIPAL</u> <u>DUE</u> <u>OCTOBER 1</u>	<u>TOTAL</u> <u>PRINCIPAL AND</u> <u>INTEREST</u>
2005	\$ 85,747	\$ 85,747	\$ 265,000	\$ 436,494
2006	79,918	79,918	285,000	444,836
2007	73,647	73,647	305,000	452,294
2008	66,861	66,861	325,000	458,722
2009	59,630	59,630	335,000	454,260
2010	52,176	52,176	350,000	454,352
2011	44,389	44,389	365,000	453,778
2012	36,267	36,267	385,000	457,534
2013	27,701	27,701	400,000	455,402
2014	18,801	18,801	420,000	457,602
2015	<u>9,456</u>	<u>9,456</u>	<u>425,000</u>	<u>443,912</u>
	<u>\$554,593</u>	<u>\$554,593</u>	<u>\$3,860,000</u>	<u>\$4,969,186</u>

BRIGHTON DISTRICT LIBRARY
Brighton, Michigan
SCHEDULE OF COLLECTION EXPENDITURES
For The Year Ended November 30, 2004

GENERAL FUND

ADULT COLLECTION:

Audio	\$ 13,871
Videos	7,343
Music CD's	4,983
Books - Fiction	14,751
Books - Non-fiction	20,257
Periodicals	7,861
Large print	1,703
Reference	9,599
Professional collection	1,086
Continuations	16,733
Brighton Room	1,701

YOUTH COLLECTION:

Audio	2,643
CD-ROMs	1,502
Videos	2,511
Books - Young Adult	11,353
Books - Children	18,401
Reference	1,202
Periodicals	1,220
Miscellaneous	<u>237</u>

Totals	<u>\$138,957</u>
--------	------------------

BUSS & COMPANY, P.C.

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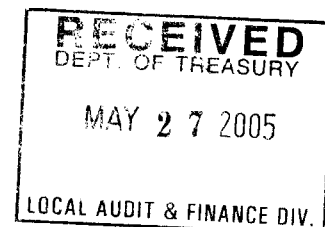
Gerald H. Dryer, C.P.A.
Paul K. Burback, C.P.A.
John E. Gideon, C.P.A.
Thomas J. Thomas, C.P.A.

MEMBERS
The American Institute of
Certified Public Accountants

The Michigan Association of
Certified Public Accountants

April 18, 2005

To the Library Board
Brighton District Library
Brighton, Michigan



Re: Supplemental System and Internal
Control Comments and Recommendations
in conjunction with audit for the year
ended November 30, 2004

Honorable Members:

In planning and performing our audit of the financial statements of Brighton District Library for the year ended November 30, 2004, we considered the Library's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated April 18, 2005 on the financial statements of Brighton District Library.

PRIOR YEAR COMMENT

Accounting Policy

As recommended in the prior year, the Library reviewed and updated its accounting policy during 2004. The policy should be reviewed on an ongoing basis and revised as needed.

CURRENT YEAR COMMENT

New Financial Reporting Model

The Library has implemented the new financial reporting standard (GASB Statement #34). This standard has significantly changed the look and content of the annual financial report. The fund financial information that you are accustomed to seeing is still included in the new financial statement format. In addition, the following major items have been added:

- Management's Discussion and Analysis: Management is now required to give an overview of the Library's overall financial position and results of operation.
- Statement of Net Assets and Statement of Activities: These additional statements adjust the fund-based financial statements into a combined full accrual format. These statements show capital assets, as well as long-term debt and other long-term liabilities.
- Budgetary Comparison Schedule: This statement now includes both the original and final amended budgets as adopted by the Library Board. Any significant budget amendments can be identified and are addressed in the Management's Discussion and Analysis section of the report.

Another major component of the new statements is the capitalization of fixed assets. The Library has done an excellent job of identifying and inventorying capital assets. To maintain this inventory, it will be important for the administration to do the following:

- Track the disposition of capital assets, including any proceeds from assets sold.
- Record capital asset purchases that meet the capitalization policy in the capital outlay accounts.
- Purchases not meeting the threshold should be recorded in a supplies account.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the administration of the Brighton District Library. This restriction is not intended to limit distribution of this report which, upon acceptance by the Board of Trustees, is a matter of public record.

We would like to thank the Brighton District Library staff for their help and cooperation during our audit.

Respectfully submitted,

BUSS & COMPANY, P.C.

A handwritten signature in black ink, appearing to read "Buss & Company, P.C.", written in a cursive style.

Certified Public Accountants

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